

# BUSINESS CONDITIONS & FORECASTS

## *A M A News Letter*

AMERICAN MANAGEMENT ASSOCIATION, 330 WEST 42nd ST., NEW YORK, N. Y.

MARCH 26, 1941

### *The President's Scratch-Pad*



Letters coming to the AMA these days expressing the opinions of management executives on current national and business problems are extremely interesting. The letters are from men throughout industry who are doing

all kinds of management jobs, from running large companies to supervising small departments within companies.

It is timely to consider these opinions in connection with certain questions that are being asked both explicitly and implicitly by government officials, public figures of one kind or another, writers, newspapers, business commentators, etc.

We might enumerate some of these questions as follows:

1. Is business too reactionary in its thinking to accept the new social and economic developments which will accompany the defense effort and which will become permanent when the program and the war are finished?

2. Is there a "blind spot" in business toward labor that is helping to cause strikes such as are current in certain defense industries?

3. Does management, while outwardly accepting collective bargaining, secretly disapprove the principle?

4. Is there an "Old Guard" in business that yearns to get back to the days of "normalcy," and is a dead weight on industrial progress?

There is not enough space here to consider adequately each of these questions, but a few of them might be discussed in the light of the letters that have been mentioned and conclusions drawn that will suggest answers to the whole list.

One mistake should be recognized and banished at the outset. That is the common assumption that "business" represents a strict school of thought whose followers cling to a standard philosophy and a uniform kind of thinking.

Thus, you frequently hear such statements as: "On this question 'business'

believes . . ." or, "to this proposition 'business' is firmly opposed." Business is not a definite thing that is to be found in a definite place. It is not one company, nor one association of companies, nor even a group of associations.

The public, unfortunately, has learned to ascribe a particular kind of philosophy to the business man—a very conservative and reactionary one. People seem to have forgotten that we are all born little Conservatives and Little Liberals, as Gilbert and Sullivan said, and that business has its Liberals just as have the professions of government, law, religion and medicine. In fact, if it were not for industry's Liberals, business would have none of the resiliency so necessary to progress. Certainly there is no "solid front" of business philosophy.

The statements of business men these days contain all shades of opinion. Consider, for example, one of the most controversial issues of the day, namely, the closed shop. For reasons that are well known, the closed-shop concept is a difficult one for the business man to accept. You would expect to find all executives registering unanimous opposition to it. Not true. While there is almost general opposition, there are also those who regard the closed shop as a system with many advantages both for management and labor.

Lastly, what of the so-called "Old Guard" of industry. James Truslow Adams in a recent article likened this group to the "Old Guard" of the Republican Party. Is there really such a group in industry? Undoubtedly there is, but *it too* is a minority, and its members, as a result of the economic turbulence of the last decade, realize that, war or not, the days of "normalcy" are gone, along with other notions of a passed era.

There is virility and progressiveness in management today, and if the job that is ahead of industry in the defense program is realistically assayed, it will be realized how vitally necessary these qualities are. We have yet to learn what "all out" really means.

*Alvin E. Dodd*

## BUSINESS OUTLOOK

### Some Industries at Capacity While Orders Still Pile Up

A review of current business statistics gives some inkling of what is in store for the country as it gets deeper into a "war economy." Even though the money to be expended under the Lend-Lease Act is still some time away from actually being turned into contracts, and still further away from being turned into goods, some basic industries are already reaching their production limits. In fact, in one or two lines, production is so close to capacity that normal seasonal increases cannot be achieved, and, as a consequence, seasonally adjusted indexes for these industries cannot show the customary expansion.

Despite increasing speed of factory operations and despite the fact that each week that passes sees new plants brought into production, demand still continues to grow more rapidly than output. The attempt to do in the short span of a year or two what it took the belligerent countries several years to accomplish is creating a production task whose magnitude is almost beyond comprehension. There is scarcely a field of business that will not be affected and stimulated by the general upsurge in activity that will be created. Certainly the program's proportions are not realized by consumers and probably will not be realized by them until the actual pinch of shortages is felt.

One of the summaries on the inside pages of this LETTER points out that now the business outlook is no longer a question of how far *will* business go but how far *can* it go, meaning that the volume of business for the future is assured and the only limitation is the efficiency of the producers. To date the principal limitations have been shortages of skilled labor and machines, two inheritances from the depression years when normal training was interrupted by unemployment and capital goods production was drastically curtailed.

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VOL. 14, No. 3 — PREPARED MONTHLY BY THE AMERICAN MANAGEMENT ASSOCIATION

	Alexander Hamilton Institute	Brookmire, Inc.	Business Week
<b>General Outlook</b>	The seasonally adjusted index of industrial activity rose to the highest peak on record during the week ending March 1. Meanwhile, of 15 weekly indexes of business activity 13 reflected more favorable conditions for the latest week than during the previous week on record (Mar. 15).	There can no longer be any doubts of the role that national defense is to play in business in the future. While profit margins on domestic defense orders will be less than on earlier orders placed by the British, sizable earnings can result from them. Large payrolls should increase demand for all kinds of necessities and luxuries (Mar. 15).	It is no longer a question of how far business go, but how far <i>can</i> it go? We longer look for elements that will cause production to drop. We are concerned only with even that may <i>impede</i> production. Our problem simply to make the fullest use of our resources (Mar. 15).
<b>Money and Credit</b>	The United States Treasury reports that the per capita circulation of money in the United States rose to \$66.28 on February 28 from \$64.90 on January 31 and from \$56.56 on February 29, 1940, an increase which indicates a greater hoarding of currency (Mar. 15).	Vast sums must be borrowed to complete the defense program. It is likely that greater rewards than the current low interest rates will have to be offered. At present bonds are at an all-time record and the return on them is slimmer than ever before (Mar. 15).	Business loans last week went up \$60,000. There has not been a major interruption of trend since May, 1940. Total loans to F. R. members are now the highest they have had since the Reserve Board changed over to the present method of compiling figures in 1935 (Mar. 15).
<b>Security Markets</b>	Recovery in the stock market recently developed sufficient vitality to lift prices out of the trading area in which they moved since the sharp drop of last month. The movement, moreover, occurred on increased volume. It appears that the minor trend has been reversed but other testing levels lie not far above the present price zone (Mar. 13).	Last week's advances in the stock market amounted to roughly 2 points in the industrial average and small fractions in the rails and utilities. A favorable feature was the ability to surpass the previous week's highs. With the coming of Spring, investors are watching war developments for possible market shocks (Mar. 15).	The index of 50 industrial stocks stood week at 97.6 as compared to 95.5 a week ago, 96.9 a month ago, and 119.1 a year ago. The index of 20 industrial bonds for the preceding week stood at 90.0, 89.9 a week ago, 90.0 a month ago, and 87.6 a year ago (Mar. 15).
<b>Production</b>	Actual output of steel continues to show a greater rise. It was estimated at 98.8% of capacity this week as compared with 97.5% a week ago. The enactment of the Lend-Lease bill insures continuation of the present high rate of activity (March 15).	The aircraft industry will be the largest recipient of defense orders. Following, in order, will be farm and industrial commodities, ordnance, plant buildings and ships. Myriad secondary industries will also obtain direct or indirect benefits (Mar. 15).	Consistently, since the middle of September steel operations have run about 90% of capacity for the last four months they have been pushed above 95%. While operations can be carried at 102½% instead of 100% of capacity, margin for expansion is not great (Mar. 8).
<b>Distribution</b>	Department store sales in the United States during the week ending March 1 were 5% larger than a year ago as compared with a gain of 7% in the preceding week. General Motors Corporation reports that it sold 187,252 autos to consumers in February as compared with 168,168 in January and with 123,874 in February last year (Mar. 15).	Prices of such consumer goods as food, clothing and autos are bound to be boosted during this war period, even though the government is trying to put a brake on the rise. The return on investments will continually buy less of these products (Mar. 15).	Normally, consumer income goes up and down slowly and is out-paced by the business activity curve, but now incomes of workers are advancing faster than production. From now to December the income curve may advance 15 points; unlikely that business activity will do much better (Mar. 15).
<b>Construction</b>	While building contracts awarded in January showed more than the usual seasonal decline from the December volume, they were still far in excess of the volume in January last year, with the gain amounting to 85.8% (Mar. 8).		
<b>Agriculture</b>	The prospect is that from the standpoint of purchasing power the farmers of 1941 will be better off than in 1929 despite lower money income. It is probable that the prices of goods which the farmers will buy will not show a rise from 1940 to 1941 commensurate with the prospective increase in their income (Mar. 15).	The recent weakness in wheat and other farm commodities has been followed by new proposals for agricultural aid. When these proposals were made, wheat futures spurted several cents a bushel. It is evident that the government is anxious to help the farmers, and the farm bloc is strong politically (Mar. 1).	A strong fight is now brewing to prevent economy in the Federal Government's ordinary expenditures from starting at the expense of the farmer. The aim of the Department of Agriculture is not to curtail crops but to count on rising industrial payrolls to increase consumption of farm products (Mar. 8).
<b>Commodity Prices</b>	The purchasing power index has risen to 75.7 after declining for four consecutive weeks. The rise was due entirely to the gain in the index of farm products prices from 66.9 last week to 67.1 this week. The index of manufactured goods prices remained unchanged at last week's level of 88.6 (Mar. 15).	The underlying trend of commodity prices is upward, but the rise is selective and is subject to reverses of war shocks. Meanwhile, government controls are being imposed on a widening front. The situations in wages, credit and buying make it necessary to watch for inflationary trends (Mar. 1).	Moody's Spot Commodity Index stood at latest week at 178.0 compared to 175.7 a week ago, and 159.0 a year ago. The <i>Business Week Analyst</i> Cyclical Commodity Index recorded 84.87 the latest week, 84.87 the preceding week and 73.97 a year ago (Mar. 15).
<b>Labor and Wages</b>	Factory wage rates are the highest on record, having risen from the monthly average of 46¢ an hour in 1932 to 68¢ in 1940. This increase in wage rates has offset the reduction in hours worked so that weekly earnings are as high as in 1929. Meanwhile, the cost of living in 1940 was 14.8% below the 1929 level (Mar. 8).	With the unions "making hay" while the defense sun shines, Washington is reluctant to refuse demands for further boosts in rates. Increased wage costs help to generate trends toward higher prices, and the threat of strikes can cause buying ahead in fear of delivery interruptions (Mar. 1).	
<b>Foreign Trade and Conditions</b>		Commodity prices and security markets declined when general sentiment was depressed by German operations in the Balkans and the Japanese movements in the Orient. This price behavior gives warning of what may happen if the war this Spring takes a sudden bad turn as it did in the Spring of 1940 (Mar. 1).	Canadian basic industries appear to be heading for new production records in 1941. Production of steel during January was up 12% over the preceding year, and construction contracts for February were more than double those for the same period during 1940 (Mar. 15).

This digest covers the views of various authorities. It does not include any strictly confidential information or specific advices from the sources.

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	Dun's Review	Cleveland Trust Company	National City Bank
of how far will it go? We no ill cause produc- only with events Our problem is of our resources	Despite the increasing speed of factory opera- tions, demand continues to grow more rapidly than production. Defense requirements are grad- ually modifying "business-as-usual" in all direc- tions; output of some consumers' lines is al- ready affected by materials shortages. Price trends are moderately but steadily upward (April).	With the government now the biggest customer of business and the country rapidly swinging into a war economy, we can expect that the changes in the volume of industrial production and of retail trade over the next two or three months will be increases, with few exceptions (Mar. 15).	The industrial and trade expansion to date has been greater than even the optimists expected; almost every industry and occupation are now benefiting from the trend. Higher levels of busi- ness may still be expected (Mar.)
up \$60,000,000. erruption of this oans to F. R. B. they have been zed over to the figures in 1937	Bank clearings (23 cities) totaled \$22,686, 597,000 in February, a decrease of 13.3% from January and an increase of 9.9% over last Feb- ruary; the adjusted Insolvency index (failures) rose from 51.8 in January to 61.8 in February, which was higher than the 58.0 for February a year ago (April).		The money market has been passing through a two-fold readjustment: a continued moderate firming of interest rates from the extreme low levels to which they had fallen in December, and, the appraisal of the status of the Treasury's new taxable securities in relation to outstanding issues, both governmental and corporate (Mar.)
stocks stood this 5.5 a week ago, year ago. The for the present week ago, 90.2 a (Mar. 15).	Transactions continue in small volume and stock prices have gained only moderately from the February low; on March 15 the Dow-Jones industrial stock price average was 123.40, com- pared with 146.53 a year ago. Corporate issues declined in February to \$265,961,870, of which only \$31,549,770 was for new capital (April).		Despite bullish price influences and increasing industrial activity, the stock market has been weak and inactive; alone among the elements in business it is depressed by consciousness that war is being waged, that events are unpredicta- ble and that current business gains cannot give lasting prosperity (Mar.)
e of September, 00% of capacity; ve been pushing an be carried on of capacity, the at (Mar. 8).	Although many leading industries are operat- ing at effective capacity, production has succeeded in registering the usual seasonal advance. The F.R.B. adjusted index of production is estimated at 139 for February, unchanged from the record- high level of January (April).	The volume of industrial production has ad- vanced 25% in the past 10 months to a point well above the computed normal level. Mean- while new orders for many manufactured goods are continuing to run far ahead of production. New up surges in consumer purchasing power will reflect widening employment (Mar. 15).	Production has had a vast increase—26% since last April. Construction and equipment manu- facture are well advanced. Meanwhile a huge forward-buying movement involving substantial inventory accumulation has been met (Mar.)
es up and down business activity ers are advancing w to December 15 points; it is will do much	Retail trade rose more than seasonally in Feb- ruary; auto sales were at a record high for the month; the adjusted index of department store sales reached 102% (1923-1925=100), high- est since 1930. In the first half of March the gain in sales over a year ago was estimated be- tween 6 and 12% (April).		Many observers had hoped that forward buy- ing would by this time have subsided. Buyers, however, want their names on books and show no tendency to shorten up on commitments. One group of purchasing agents reported that 50% of their members were buying six months ahead, and 11% nine months ahead (Mar.)
ing to prevent nment's ordinary e expense of the ment of. Agricul- o count on rising consumption of	Building activity remains at the best level since 1931. The value of permits issued in 215 cities during February was \$93,602,664, or a gain of 3.4% over February 1940; New England, Moun- tain, and Pacific regions reported exceptionally large increases (April).	The building of new facilities to expedite the production of munitions has gone forward more rapidly than was expected. Some new plants are already beginning production before the con- struction is entirely completed (Mar. 15).	
dex stood at the to 175.7 a week Business Week- ex recorded 85.37 eding week and	A persistent upward tendency in commodity prices during early February carried the Dun & Bradstreet daily wholesale price index to a new war-time high of 126.74 (1930-1932=100); in- creases were over a fairly broad front with im- port items in the lead (April).		Apart from the critical metals, there are a few places where staple commodity prices arouse con- cern. The price rise in imported commodities during the past few weeks has been due chiefly to the tightening shipping situation, fear of dis- ruption of Far Eastern shipments, and advances in ocean freight rates (Mar.)
	After a less than seasonal drop in January, factory employment recorded better than average January to February gains; compared with a year ago payrolls show a more substantial rise than retail prices (April).	For the first time since the depression the workers making durable goods include 50% of all factory workers; this development constitutes one of the important symptoms of full industrial recovery (Mar. 15).	The upward trend of wage rates seems likely to become more pronounced. Although the rise has been moderate thus far, demands for in- creases in major industries are developing. Many observers believe if any general inflationary spiral develops it will come from advancing wage rates rather than from any other cause (Mar.)
ear to be headed 941. Production p 12% over the contracts let in le those for the 15).		The seriousness of the British shipping condi- tion cannot be underestimated. Total losses to date have been huge; it is easy to understand the anxiety of the British to purchase ships from any source that they can be secured from (Mar. 15).	Increases in freight rates, 25%, on all ship- ments from the East Indies and India and on many commodities from South America, will take effect April 1. This has stimulated anticipa- tory buying (Mar.)

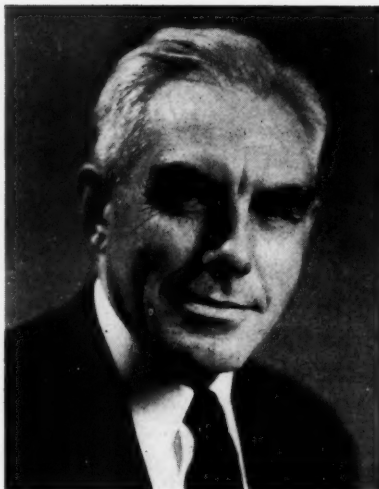


## 'Bread & Butter' Selling Job To Be Discussed By Sales Executives

"There's Still a Selling Job To Do" will be the theme of the Conference that the AMA Marketing Divisions will sponsor at the Hotel Roosevelt, New York City, on April 22 and 23. The planners of the sessions, basing their conclusions on wide contacts with sales executives throughout the country, have decided that despite defense activity most concerns still must sell goods and services and are still concerned with basic marketing problems.

Thus the Conference is going to discuss such problems as: Media for Finding and Reaching Markets; Creative Selling; Sales Aptitude Testing; Sales Training; etc. Those in charge of the sessions have found that while all concerns have already or will eventually be affected by defense, the usual problems of sales management have in no sense diminished in importance. The Conference, therefore, will be directed at the objective of helping sales organizations to meet quotas on their "bread and butter" products.

The two Divisional Vice Presidents in charge of the meeting, H. R. Chapman, Vice President of the New England Confectionery Company, and E. O. Shreve, Vice President of the General Electric Company, will open the meeting with a joint presentation describing how widely



E. O. SHREVE



H. R. CHAPMAN

... still a selling job to do ...

the regular sales activity is probably going to be affected by defense operations. Mr. Chapman and Mr. Shreve represent respectively a company only very remotely affected by defense needs, and a company that has many consumer lines in addition to its defense products.

### Report to Be Issued On Salesmen's Tests

The report of a survey made by the AMA Research and Information Bureau to determine how widely tests are being used in the selection of salesmen is to be published in May. The report will cover the practices of companies in both consumer and industrial lines, as well as insurance companies, public utilities and financial institutions.

The purpose of the survey has been to discover what acceptance aptitude, personality and other tests have achieved in sales selection; what various kinds of tests are being used; what weight is given to tests results in hiring or promoting salesmen—in short, whether it appears that testing has become an established procedure in hiring salesmen.

*Note:* This report, like all similar publications issued by the Research and Information Bureau, will not have general distribution among AMA members but will be confined to those holding company memberships. Previous reports by the Research and Information Bureau, whose activities are made possible by the financial support of company members, include the following: Liability Insurance for Corporation Directors; Adjustment of Company Pension Plans to Amendments to the Social Security Act; Forms for Better Control of Factory Equipment; Company Policies Covering Long-Term Military Service of Employees.

### Packaging Sessions May Show Many New Material Uses

That many new materials and products will be brought within the reach of the American consumer as a result of defense priorities is a development that may result from the coming AMA Packaging Conference and Exposition, to be held in Chicago, on April 1 to 4, at the Stevens Hotel. The question of how seriously packaging is to be affected by defense will be one of the principal subjects of discussion at the sessions. Many producers believe that shortages in conventional materials are going to increase demands for materials that have not in the past been widely used. Two possible future packaging trends that the meeting may disclose are wider use and search for alternate materials; and return to plainer and more functional types of packages.

### Insurance Conference May 5-6 in New York

The Spring Conference of the Insurance Division of the AMA will be held at the Hotel Astor on Monday and Tuesday, May 5 and 6. The Division plans to give intensive study during the Conference to three principal themes and to devote an entire session to each subject. Among the topics are: The Future of Pension Plans; The Future of Casualty Insurance Rates and Rating Methods; Insurance for the Protection of American Industrial Plants.

Two concurrent evening sessions will be devoted to: Participating Policies of Stock Companies, and, Insurance Management. At another session, questions and answers on current problems in insurance management will be discussed by a panel of insurance authorities.

### To Tell 'Cold Facts'



W. L. Batt, Deputy Director, Production Division of OPM, who will describe to sales executives at AMA's coming Marketing Conference the proportions of the job that has been assigned to American industry under the defense program and what our becoming "the arsenal of democracy" means to them. Mr. Batt is President of SKF Industries, Inc., and Chairman of the Board of AMA.

